



THE ADOLESCENT CARE SITR FUND

**AN ASSET-BACKED SOCIAL INVESTMENT
OPPORTUNITY TARGETING TO RAISE £20M**

**PROVIDING SPECIALIST CARE AND WELLBEING SERVICES TO
ADOLESCENTS WHO ARE IN LOCAL AUTHORITY CARE**

**A limited opportunity to invest in a SITR Fund that is both attractive
to investors and also meets an increasing social need**

**The Fund will be used to purchase property
in support of a qualifying trade**

**The intention is that Investors will receive a 3.0% p.a. coupon payable
on repayment, broadly equating to current property yields**

Innvotec's Strategic Partner is Young London Today (YLT)

**A not-for-profit organisation, YLT has an excellent track record of
working with the most challenging and vulnerable young people**

No Investor Fees

Target IRR of 8.5% to include tax reliefs

Valuable SITR tax benefits

Advance Assurance Received

**LIMITED OPPORTUNITY
BEFORE 5TH APRIL 2018**



THE ADOLESCENT CARE SITR FUND

THE INVESTMENT OPPORTUNITY

The Adolescent Care SITR Fund is the first Social Investment Tax Relief (SITR) opportunity from Innvotec and probably the first of its kind. The Fund is targeting £20m focused on having a real social impact, whilst also providing asset-backed security and a modest return payable on wind-up.

The ultimate beneficiaries of the Fund will be vulnerable adolescents (from 16 upwards), whose wellbeing remains the responsibility of Local Authorities. Local Authorities contract out delivery of these responsibilities to qualified service providers under long-term contracts. The Adolescent Care Community Interest Companies (CICs) have been set up to provide specialist services for the more complex cases under sub-contract to front line service providers such as Young London Today.

This Fund will enable such services for the first time to be delivered in freehold as opposed to rented premises enabling the young people to live and be helped to overcome their issues in a more stable environment.

The SITR tax efficient legislation is, from an investor's perspective, similar to the Enterprise Investment Scheme, but its specific purpose is to raise money for social enterprises and charities that benefit the community. In the case of this Fund, the commitment raised will bring enormous benefit to the wider society, as it is directed towards the provision of care services to a vulnerable and neglected section of the populus.

SITR qualifying companies lie outside the newly introduced risk assessment tests that HMRC applies to companies seeking investment under EIS, SEIS and VCT schemes.

There are numerous, separate services that are provided under the umbrella of adolescent care services. Some are of a specific nature requiring qualified personnel, where the young person's needs are classed as "complex" it is these specialist (as opposed to generalist) services that will be provided by the Adolescent Care CIC companies.

The intention is to fund fourteen CICs with £1.5m each, and each is called Adolescent Care CIC and with a numerical suffix.

Innvotec's Strategic Partner in this initiative is Young London Today (www.young-london.org), a not-for-profit organisation that has been providing such services to the majority of Local Authorities in Greater London for several years.

Investors in the Fund will benefit from the various SITR tax advantages.

It is intended that this will be the first of a series of annual Funds with a similar purpose.



WHY YOUNG LONDON TODAY (YLT)?

It is the good done by YLT that makes this Fund possible.

- YLT is a London-based provider of specialist care and wellbeing services to adolescents over the age of sixteen who are in the process of leaving the care home environment, but for whom Local Authorities still have an on-going responsibility and accompanying financial commitment.
- YLT has developed a good reputation for how to cope with the needs and requirements of young people with the more complex needs.
- YLT has framework contracts with Local Authorities that typically last for three years and tenders are requested thereafter.
- YLT is a fully-qualified, preferred supplier of services to over half of London's boroughs and currently provides a range of services to adolescents of which over 80 are also housed in properties rented by YLT, primarily in West and South London.
- A full team and infrastructure are in place at YLT.

ADOLESCENT CARE - THE PROBLEMS

It is an unfortunate fact that the demands on all social services are increasing and there are no signs of this slowing down. Social Services budgets are by and large static which means there are increasing pressures on Local Authorities to provide an acceptable level of adolescent care that is typically delivered through third parties.

Providers such as YLT have historically delivered their services through rented property but are now hit financially by static budgets and increasing rents, a problem that is exacerbated by a reduction in the number of properties available for specialist letting.

Support for adolescents looking to make their way in life is best provided in a stable and permanent environment. The difficulties in finding suitable rental properties coupled with steadily increasing rent has forced YLT to look to diminish its portfolio of rental properties and to be innovative in seeking to work with specialist third parties, such as the Adolescent Care CICs, to deliver the best service possible in accommodation that is permanent and designed to meet the needs of those in care.

YLT has entered into long term contracts with each of the Adolescent Care CICs for them to provide a number of specialist services to young people with the more challenging behaviour.

WHAT IS A CIC?

A CIC is a type of company introduced in 2005 and designed for social enterprises that want to use their assets and any profits for the public good and the benefit of the community.

Profits in CICs have to be reinvested in the company or made available to the community. Such a policy is governed by an "asset lock" whereby only a minority of profit (currently up to 35%) is distributable to shareholders.

FUND DETAILS

The Fund has been set up to provide all or part of the funding necessary for the Adolescent Care CICs to not only deliver specialist services, but also



purchase and fit-out the assets (i.e. properties) deemed necessary to carry out their trade in an effective and cost-efficient manner.

The Fund aims to provide a combination of relatively attractive returns for investors in a period of low interest rates, asset backing and valuable benefits to the community.

In order to benefit from the SITR tax reliefs, HMRC pre-assurance has been received for each of the CICs.

The intention is for the property portfolio to be sold (to the right buyer) or re-mortgaged after circa five years thereby enabling investor commitment to be repaid.

Given the nature of the investment, the absence of “free cash” in the sector and its social purpose, there are no charges whatsoever to be borne by investors.

Investment Opportunity

The Fund is designed to offer asset-backed security with a commercial rate of interest whilst attracting generous tax reliefs.

The investment is in companies operating in the Public Care Sector and will involve the purchase of assets that support the Adolescent Care CICs trade - the provision of specialist care, well-being and personal development services to vulnerable young adults, especially those with complex needs.

Investment in the Fund will make a genuine social impact in helping young people overcome their fears and inhibitions and take their place in society.

Underlying Investment

Investments will be in the form of a coupon carrying loan, to a number of CICs each called Adolescent Care CIC with a suffix of 1 to 14.

Whilst the loans are unsecured, the debt is underpinned by the assets in the Companies.

Coupon

3.0% annually and paid on the wind up of the Fund.

Initial Charges

There is no initial charge to Investors, meaning that tax relief is available on 100% of commitment.

Subsequent Charges

There are no charges whatsoever.

SITR Tax Relief

The Fund will only make loans to SITR Qualifying Companies (i.e. the Adolescent Care CICs) that have received pre-assurance from HMRC.

Fund Investment Approach

An investment Fund making unsecured loans spread across a number of CICs, each carrying the prefix Adolescent Care CIC. Each of these companies can accept up to £1.5m of investment by way of equity or unsecured loan - in the case of the Fund this will be via unsecured loans carrying a 3.0% p.a. coupon to the companies.

Investment Date

The timing of investment via loans into the Adolescent Care CICs will be before 5th April 2018.

Term

There is no fixed term for the Fund, the intention is to realise the Investor loans to the Adolescent Care CICs within 7 years and after a minimum of 3 years, so as not to lose SITR relief.

The ultimate date of termination of an investor's commitment will depend upon the Manager's ability to realise the assets held within the Adolescent Care CICs, so that the loans can be repaid to investors together with all accrued interest.

The Manager will work closely with YLT and property professionals to identify appropriate properties and help provide investors with a timely exit from the Fund.

KEY PARTIES

Fund Manager

Innovotec Ltd. is possibly the longest established, independent venture capital fund manager in the UK. It has been making investments in start-up and early stage opportunities for nearly 30 years and has been involved in raising and managing EIS and SEIS funds for 8 years. This is Innovotec's first SITR fund.

The team assigned to the management of the Fund has a combined total of nearly 60 years of relevant experience of creating and managing investment portfolios and building value for clients.

Innovotec has raised and managed over £100 million of investment to date primarily from institutional Investors and has put this commitment to work in over 150 start-up and early stage businesses. Innovotec has also been successful in helping these companies raise nearly £200 million from third parties.

Strategic Partner

Young London Today (YLT) is Innovotec's long-term, contracted Strategic Partner in this SITR Fund. YLT is responsible for identifying opportunities within the Adolescent Care Sector as are deemed suitable by the Manager for SITR investments and providing on-going support. Further details can be found at - www.young-london.org.

YLT has the provider contracts and will contract with the Adolescent Care CICs for the provision of the more specialist services.

Custodian

Loans to the SITR Qualifying Portfolio Companies will be registered in the name of Innovotec (Nominees) Ltd with the designation Adolescent Care CIC. At all times the Investor remains the beneficial owner of the loan.

INVESTMENT DETAILS

Minimum Fund Size - £1 million

Maximum Fund Size - £20 million

Minimum investment - £10,000 and in tranches of £5,000 thereafter

Maximum Investment - No maximum, but income tax relief under SITR is only available on up to £1 million of investment per tax year

Closing Date - The closing date is 3rd April 2018 enabling investment by 5th April 2018

THE ADOLESCENT CARE CIC DETAILS

Each of the fourteen Adolescent Care CICs has the following:

Shareholders - All Shares are held in Trust for the sole benefit of the community

Directors - Members of the Innvotec team and representatives of the shareholding Trusts

THE WAY FORWARD

If you are interested in this opportunity and would like further details, please contact your Independent Financial Adviser (IFA) or similar professional, or the team at Innvotec.

In this document we have provided some general details on this opportunity. Full details are provided in the Information Memorandum (IM) which is available on request (subject to status). This investment is not suitable for all investors.

CONTACT DETAILS

For further information, please find the contact details below.

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Strategic Partner

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TO LEARN MORE, WATCH OUR VIDEO WHICH CAN BE FOUND AT:

[HTTPS://VIMEO.COM/238732725](https://vimeo.com/238732725)

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IMPORTANT NOTICE

This document is confidential and has been prepared by Innvotec Limited ("Innvotec"), which is authorised and regulated by the Financial Conduct Authority. This document is only available to such persons who are permitted to receive the information memorandum dated January 2018 (IM) relating to an investment in the Adolescent Care SITR Fund ("Fund"). This document has not been verified and is a summary of the investment opportunity and should be read in conjunction with the IM which includes more comprehensive information and risk factors relating to the potential investment. Any investment made should solely be on the basis of the IM. Distribution of the IM will only be to those persons permitted to receive it pursuant to the Financial Services and Markets Act 2000 (as amended) ("FSMA"), Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 and other applicable rules and regulations set out in the IM. This document should not be reproduced, copied or distributed without the consent of Innvotec and is not for distribution into any jurisdiction into which such distribution will be a violation of its securities laws. The Fund is not a collective investment scheme within the meaning of Section 235 of the FSMA. As the Fund takes advantage of Social Investment Tax Relief, it is not subject to the restrictions placed on Unregulated Collective Investment Schemes (UCIS). The Fund is accordingly not restricted to promoting to high net worth individuals and/or Sophisticated Investors.

All third party trademarks and trade names are hereby acknowledged.

SITR TAX BENEFITS

Advance Assurance has been received from HMRC for each of the CICs which means that each company qualifies under the SITR companies' rules.

Investors making loans to SITR qualifying companies (as per this Fund) can, depending on their individual circumstances, benefit from a number of tax benefits including the following:

Income Tax Relief of up to 30%, available on the first £1 million invested in any tax year.

Deferral of Capital Gains Tax on disposal of other assets, if investment in the SITR Fund is made within one year before or three years after the date of disposal of the asset which gave rise to the gain.

Loss Relief which can be offset against capital gains tax liabilities.

Tax on interest income - the investor will be taxed on the total interest received on repayment of his or her commitment to the Fund.

Inheritance Tax Exemption - Loans made to a SITR qualifying company are not exempt from IHT.

Further information on Taxation can be found in the Information Memorandum and in the Innvotec "Know More About: Tax Efficient Investing" Guide. The Taxation situation depends on the individual circumstances of the Investor and may change in the future.

Professional tax advice should be taken when considering SITR.

Please note that the tax treatment depends on the individual circumstances of each client and may be subject to change in future. Please speak to your financial or tax adviser if you are unsure about it.

Please note that an investment in the Fund is speculative and the Fund Manager is unable to provide you with advice about whether you should commit to the Fund.